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CENTRAL INTELLIGENCE AGENCY

Executive Registry

0-2471

10 December 1948

INTELLIGENCE MEMORANDUM NO. 96

SUBJECT: Attempts by Eastern Europe to obtain I A and I B export control items through transshipments

1. An increasing flow of reports received by CIA reveal the organized covert efforts that are being made by Eastern Europe to obtain Class I A and Class I B items through third countries. It has not always been possible for the Department of Commerce to determine with certainty that Western European consignees of goods exported under license are legitimate end-users of the products; consequently, some licensed exports may be transshipped to Eastern Europe. In the case of exports to Latin America and other areas outside of Europe, licenses are not required; the opportunities for transshipment to Eastern Europe, therefore, are much greater than elsewhere.

2. The following reports illustrate various methods of transshipment currently being used or attempted:

a. Commodity: Machine tools.

Destination: Hungary.

Transshipment point: Switzerland.

Transactions involved: Dugar & Roheim Inre ut 10, Budapest, authorized by the Hungarian Central Board of Heavy Industry (NIK), carried on negotiations with Engler and Company, Zurich. Stadthaus-quai 7, for acquisition of US machine tools. (The manager of the Swiss company has announced himself to be a specialist in illegal transactions. He is reported to have engaged in transshipments of chemical base materials (phenol, for example) to Hungary prior to 1 March 1948.)

b. Commodity: Blast furnaces.

Destination: Yugoslavia.

Transshipment point: The Netherlands.

Document No. 001

NO CHANGE in Class. ☐

☒ DECLASSIFIED

Class. CHANGED TO: TS S C

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Transactions involved: Yugoslav agents, wishing to purchase two blast furnaces from the Voest Company of Linz, Austria, went directly to the Dutch Shipbuilders' Syndicate in The Hague (Direktorat van Scheepsbouw-s'Gravenhage) because a previous denial of the sale to Czechoslovakia on the part of US Austrian authorities had forewarned them of a similar refusal. Van der Graaf, the Syndicate's Secretary General, on offer of a substantial bribe, undertook to open negotiations for transshipment through an Austrian businessman in Switzerland who has excellent connections in Voest.

c. Commodity: Diesel engines.

Destination: Yugoslavia.

Transshipment point: Canada.

Transactions involved: The council of the Canadian South Slavs Reconstruction Fund, believed to be located at 600 Campbell Avenue, Vancouver, B. C., asked a large US stationary- and marine-Diesel engine manufacturing concern on 15 September 1948, about the possibility of manufacturing four-cylinder 8 x 10½ Diesel marine engines of 85 HP for export to Yugoslavia. Since US export controls would not allow shipment, the US firm suggested dealing through its Canadian subsidiary.

d. Commodity: Twenty large-size portable air compressors.

Destination: Bulgaria.

Transshipment point: Canada.

Transactions involved: Jaeger Machine Company of Columbus, Ohio, shipped the compressors to Canada for transshipment to Bulgaria, on order of "Metalimport," official Bulgarian purchasing agency.

e. Commodity: Oil equipment.

Destination: Rumania.

Transshipment point: Switzerland.

Transactions involved: A Swiss firm has concluded a contract with a US firm reported to be "Wilson and Company" for transshipment to Rumania (see IM-71).

3. Collection of information of a similar nature and its dissemination to appropriate United States authorities would assist in the reduction in the amount of illegal transshipment to Eastern Europe.

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